

1 APR 1975

MEMORANDUM FOR: Deputy Director for Administration

THROUGH : Chief, Plans Staff, DD/A

SUBJECT : Fighting Inflation and Reducing Daily Operating Costs

REFERENCE : Multiple Adse Memo dtd 28 Feb 75 fr DCI, same subj

1. This memorandum is for information only.

2. Succeeding paragraphs define cost reduction, anti-inflation, and materiel conservation measures initiated by components of the Office of Logistics to reduce operating expense. Mention was made in the last report of the difficulty experienced in differentiating between cost avoidance and anti-inflation measures. Your effort to provide guidance in defining the criteria to be used in distinguishing between the two prior to the next submission will be greatly appreciated.

a. COST REDUCTION MEASURES

REMARKS

(1) Use of handwritten (on both sides of page) instead of typewritten drafts for supervisory approvals, editing, etc., and use of two sides of Xerox paper for printing.

Considerable paper savings have been reported as well as savings in clerical time. Actual dollar amounts, however, cannot be measured in most instances.

(2) Reduce the production and distribution of copies of employee notices and bulletins.

This program has produced savings the amount of which is not readily quantifiable.

(3) Reduction in the supply and operating costs of office copiers.

OL, Printing and Photography Division (P&PD), in cooperation with ISAS/RAB, has been involved in a program to promote usage of the most efficient and economical copying equipment thereby reducing dependence on the more costly equipment. This program is leveling off, and ISAS has reported its results in their MBO report. The last report identified savings of \$25,000 through October 1974.

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P&PD  
(4) Cost avoidance through use of roll paper in lieu of cut sheets.

OL/P&PD has substituted roll paper for cut sheets for the production of [ ] dailies. This substitution, in combination with the fact that roll sheets are now being purchased direct from the mill, is expected to yield an annual savings of \$116,000.

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(5) Savings in printing ink costs through purchases of larger containers.

Implementation of this plan has resulted in savings of \$1,337 for this quarter with additional savings in prospect for the next quarter.

✓ (6) Reduction in publications costs through the use of less expensive stock for publication covers.

OL/P&PD has produced samples of publications using the less expensive cover and is awaiting OCI approval to use the less expensive cover in production runs. Savings accruing as a result of this program will be reported if and when it becomes operational.

✓ (7) Reduction in water usage and water heating costs through the use of automatically controlled cutoff valves on laboratory processing equipment.

Two units already in use and study is 50 percent complete to determine availability of valves for remaining units. Substantial savings are anticipated in connection with this program but cannot be quantified at this time. Savings data are expected to be available by next reporting period.

Approximately \$9,600 in cost avoidance resulted from this program.

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**(10) Use of renewal options in service contract negotiations.**

OL/PD has initiated a program for renewing service contracts by including a 1-year renewal option in the contract. This program is expected to produce considerable savings in paper utilization, clerical typing time, clause negotiation, and postage expense. PD is including the renewal option in 50 percent of its service contracts this year with the remaining 50 percent to be completed next year in order to stagger workload. No estimated savings associated with this program has been attempted because of measurement burdens.

**(11) OL/LSD direct-purchase program.**

OL/LSD is currently studying the feasibility of purchasing certain administrative supplies direct from vendors rather than through other Government agencies in order to benefit from lower acquisition costs. For example, the acquisition cost of a class "A" desk pen set through GSA is \$37.80 whereas the direct purchase cost of a comparable item is \$22.70. The study tentatively identifies 40 to 50 items which may be subject to cost avoidance as a result of direct purchase. Considerable savings are anticipated as a result of the direct-buy program, and projections will be presented in future reports.

**(12) Other measures taken in connection with cost avoidance program.**

Reuse of Kraft manila folders, use of reverse side of obsolete forms for non-sensitive memoranda for writing or typing drafts, the reuse of envelopes and shipping cartons, and the like. OL components routinely observe these cost avoidance and paper conservation measures; however, estimated savings data have not been accumulated because of burdens of compilation.

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**b. ANTI-INFLATION MEASURES**

**REMARKS**

(1) Reduce fuel oil consumption in the departmental area.

Measures previously implemented through GSA to reduce fuel oil consumption at Headquarters are continuing. Estimated savings are not available but will be presented in the next report.

(2) Reduce power consumption in the Headquarters complex.

OL/RECD continues to implement through GSA a program of conserving power consumption. Statistics are not yet available for third quarter savings but will be included in the next report.

(3) Reduction in gasoline consumption for official vehicles used in departmental area.

OL/LSD is currently experimenting with a methanol/gasoline mixture to determine its impact on mileage and vehicle maintenance expense. Savings of the program cannot be projected before feasibility is established.

✓ (4) Paper conservation and reduction in the cost of computer printout through the use of Computer Output Microfilm (COM).

Utilization of COM, in lieu of hard copy, reduces paper consumption and storage requirements while enhancing the efficiency of information retrieval operations. Conversion from hard copy to COM has been slowed as a result of difficulties in converting print programs and the partial obsolescence of equipment. Savings associated with this program are expected to average \$100,000 annually once utilization of COM facilities is maximized. Equipment costs are not amortized in this projection.

✓ (5) Reduction in the cost of computer hard copy printing.

The Xerox Computer Output Printer is capable of generating hard copy from magnetic tapes. OL/P&PD, in cooperation with OJCS, has recently completed the Xerox 1200 test program which demonstrated that the system was extremely reliable and met or exceeded qualitative standards. The Xerox system has the

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potential of displacing four to six pieces of printing equipment currently being used by OJCS. It is anticipated the displacement program will be completed within a year at which time savings and cost data will be presented.

7. (6) Implementation of more efficient operating procedures in OL/P&PD.

Object was to achieve reductions in operating costs through improved procedures for inventory management, substitution options, and more efficient coordination between job planners, supply branch, and printers. On completion of the 12-month implementation cycle, it is estimated that a one-time savings of \$127,000 will be yielded by this program.

✓ (7) Reduction in paper utilization, press, bindery, dissemination, and document storage costs through use of micro-publishing.

The object of this program is the use of microfiche, in lieu of hard copy. Demands for microfiche are increasing; however, the impact of substituting microfiche for hard copy or printing equipment is negligible at the present time. Results of this program will be presented in detail in the next report.

(8) Reduction in cost of printing labor and supplies through the use of typesetting for those publications now being imaged on typewriters and line printers.

Typesetting provides flexibility in format, reduces the number of pages required, and increases words per page while at the same time increasing the quality and ease of reading. The OGCR "Fact Book" was converted to this method of publication during this reporting period. After first-year conversion costs are amortized, the yearly savings for this publication are estimated at \$53,119. Other publications will be converted to this method as equipment becomes available thereby yielding additional savings.

3. Firm guidelines as to the kinds of cost reduction and anti-inflation programs to be included in the quarterly report have not been established. Reference implies that extracts from report content might be made at the DD/A

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level and referral to the DCI as a basis for a Presidential report on the Agency's cost avoidance program. Assuming this is the object of the report, inconsequential items should probably be excluded. On the other hand, if the purpose of the report is to provide agenda items for the DCI's periodic conferences with Deputy Directors it seems appropriate to describe lower level impact programs. Please advise if the current reporting format is adequate and if not indicate what improvements are in order.

4. Questions concerning this memorandum or the reference may be directed to [redacted] of our Plans and Programs Staff on extension [redacted].

/s/ Michael J. Malanick

Michael J. Malanick  
Director of Logistics

cc: C/PS/DDA

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*hand-carried 4-4-75*

OL/P&PS: [redacted] (3 Apr 75)

*4/3/75*

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